



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE July 11, 2008

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on the University of Northern Iowa for the year ended June 30, 2007. The University of Northern Iowa previously released its annual financial report for the year ended June 30, 2007.

The University of Northern Iowa is governed by the Board of Regents. For the year ended June 30, 2007, the full-time equivalent student enrollment was 10,783 with an average cost per student of \$11,580 compared to 10,969 students and an average cost per student of \$11,006 for the year ended June 30, 2006.

A copy of the report is available for review at the University of Northern Iowa, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.

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**REPORT OF RECOMMENDATIONS TO THE  
UNIVERSITY OF NORTHERN IOWA**

**JUNE 30, 2007**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**





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July 7, 2008

To the Members of the Board of Regents, State of Iowa:

The University of Northern Iowa is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2007. We have also audited the financial statements of the University as of and for the year ended June 30, 2007 and have issued our report thereon dated December 7, 2007.

In conducting our audits, we became aware of certain aspects concerning the University's operations for which we believe corrective action is necessary. As a result, we have developed recommendations, which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the University's Report on Internal Control, as well as other recommendations related to internal control. These recommendations have been discussed with University personnel and their responses to these recommendations are included in this report.

We have also included on page 9 of this report certain unaudited financial and other information to report an average cost per student for the University of Northern Iowa for the five years ended June 30, 2007 as required by Chapter 11.28 of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the University of Northern Iowa, citizens of the State of Iowa and other parties to whom the University of Northern Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the University during the course of our audits. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the University are listed on page 8 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor  
Charles J. Krogmeier, Director, Department of Management  
Timothy C. Faller, Interim Director, Legislative Services Agency

**University of Northern Iowa**

June 30, 2007

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Finding Reported in the University's Report on Internal Control:**

Wages and Salary Overpayments – When the University has incorrectly overpaid several employees or students, the University has asked these individuals for a refund of the overpayment. However a number of these overpayments are over one year old. The refunds were not always pursued timely. Additionally, overpayments occur if a Personnel Action Form (PAF) is not filed when an individual leaves employment.

Recommendation – The University should continue to monitor the payment of salary and wages to reduce overpayments. When overpayments occur, the University should pursue refunds timely and monitor the disposition of the refund.

University Response – The University acknowledges that salary and wage overpayments need to be collected on a timely basis. The University has collected on all overpayments occurring during the current year and agrees to utilize all available collection tools to collect overpayments from prior years. For items deemed uncollectible the University will initiate a write-off of these receivables. Additionally, the University will continue to explore alternative procedures to minimize the opportunity for overpayment to occur, including changes to the PAF process and enhanced employee notifications.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

- (1) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the University's financial statements. Generally, one or two individuals may have control over the following areas for which no compensating controls exist:
  - (a) Individuals within the Business Operation's office with "UNI Payables Manager" and "Cashier" responsibilities can create and prepare payment documents, approve payment and print checks.
  - (b) The payroll department is currently responsible for setting up new student employees on the payroll system, including all personnel data as well as rate of pay.

Recommendation – Duties should be segregated so one individual can not prepare payment documents, approve payment and print checks. The University should separate the processing of student payroll from setting up new student employees.

University Response – The University acknowledges that the ability to create and approve invoice documents electronically exists with limited individuals who also have the ability to print accounts payable checks. Procedures and compensating controls are continually evaluated to minimize the risk of inappropriately prepared checks without diminishing service levels to our students, staff and vendors.

## Report of Recommendations to the University of Northern Iowa

June 30, 2007

The University acknowledges the task of setting up student employees is not segregated from other payroll tasks. The University is re-evaluating which organization, within the institution, should perform the student employee set-up function. Additionally, electronic procedures under development will facilitate the creation of a student employee by the hiring department with final approval provided by the organization responsible for student set-up.

Conclusion – Response accepted.

- (2) Timely Processing of Vouchers for Payment – Several employee travel vouchers and a number of payment vouchers were not paid in a timely manner or within the vendor's payment terms. Although the Office of Business Operations is responsible for processing payment vouchers, other departments have not always submitted their vouchers/invoices in a timely manner to allow for payment by the due date.

Recommendation – The University should take steps to ensure all departments are submitting their vouchers / invoices to the Office of Business Operations timely. Also, the Office of Business Operations should process these vouchers/invoices timely to ensure timely payment to vendors. Timely payment of vouchers/invoices ensures the University remains in good standing with current vendors and does not discourage potential vendors from doing business with the University.

University Response – The University concurs with the auditor's finding and recommendation. Procedures have already been implemented in the Office of Business Operations, including staff reassignments, to minimize delays in issuing payment to vendors. Additional procedures, including staff training and procedural guidelines, are being developed to assist University departments with submitting their payment requests timely. A Vendor Payment Task Force was formed and recommendations by the Task Force are being implemented.

Conclusion – Response accepted.

- (3) Timely Recording of Wire Transfers – The University receives a large amount of funds by wire transfer and direct deposit (ACH) which are not always receipted timely. These are recorded by the Cashiers, in the Office of Business Operations. Failure to record wire transfers and ACH items on the day they are received creates additional reconciling items for the book to bank reconciliation at the end of each month.

Recommendation – Policies and procedures should be established to ensure timely recording of wire transfers and direct deposits (ACH) on a daily basis.

University Response – The University will implement procedures to minimize delays in the recording of wires and ACH transactions. This will include:

- Increased communication between University Departments anticipating wire or ACH funds and the Cashiers prior to fund receipt to help identify the correct account to credit;
- Increased emphasis by Cashiers to identify the intended recipient of unidentified wire and ACH transactions through the use of mailing lists and other communication tools; and
- Evaluating the benefit of using bank sub-accounts to record transactions directly to the appropriate departmental sub-account.

Conclusion – Response accepted.

# Report of Recommendations to the University of Northern Iowa

June 30, 2007

- (4) Bank Reconciliation – During the year, the University completed bank reconciliations using the Oracle system. However, since January 1, 2005 when the Oracle payroll system was implemented, the University has not been able to completely reconcile the payroll bank account with the general ledger each month. The differences between the payroll subsidiary ledgers and the general ledger are not documented, thus making it more difficult to reconcile the bank account to the general ledger at month end. At June 30, 2007, there is an unreconciled variance of \$9,955.

Recommendation – Monthly reconciliations of the book to bank balances should include supporting documentation for reconciling items. Payroll reconciling items need to be communicated to the individual performing the bank reconciliation.

University Response – The University acknowledges the difficulty of reconciling the bank account after the implementation of Oracle payroll and concurs with the auditor's recommendation. We believe the noted variance is due to timing. We note three reasons for timing differences: payroll transactions have been backdated, monthly payroll periods are not closed and the payroll transactions are not automatically transferred to the general ledger module on a daily basis. The individuals preparing and reviewing the bank reconciliation will ensure supporting information for reconciling items is attached to the bank reconciliation. The University will explore automated methods of payroll transactions to keep the individual preparing the bank reconciliation informed of potential reconciling items. Additionally, the University will also explore the possibility of preparing outstanding check lists using the system date rather than the transaction dated date.

Conclusion – Response accepted.

## **Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.



Report of Recommendations to the University of Northern Iowa

June 30, 2007

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Billie Jo Heth, Senior Auditor II  
Shawn R. Elsbury, Staff Auditor  
Michael R. Field, Staff Auditor  
Matthew R. Ritchey, Staff Auditor  
Marta M. Sobieszkoda, Staff Auditor  
Adam D. Steffensmeier, Staff Auditor  
Aaron P. Wagner, CPA, Staff Auditor  
James R. Wittenwyler, Staff Auditor  
Brett M. Zeller, Staff Auditor  
Brett C. Connor, Assistant Auditor  
Richard Curtis Nelson, Assistant Auditor  
Josh B. Ludwig, Assistant Auditor

University of Northern Iowa

Cost per Student  
(Unaudited)

Year ended June 30, 2007  
with comparative figures for prior years

Total General Educational Fund expenditures (expressed in thousands)		\$	136,384
Deduct:			
Expenditures not related to teaching programs: (expressed in thousands)			
Research separately budgeted	\$	581	
Extension and public service		1,616	
Student aid		<u>9,324</u>	<u>11,521</u>
Net expenditures for teaching programs		\$	<u>124,863</u>
Full-time equivalent enrollment 2006-2007			<u>10,783</u>
Cost per student 2006-2007		\$	<u>11,580</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2007 and five previous years.

Year	Enrollment	Cost per Student
2006-2007	10,783	\$ 11,580
2005-2006	10,969	11,006
2004-2005	11,351	10,242
2003-2004	11,477	9,947
2002-2003	11,959	9,431